

# **KNOW YOUR CUSTOMER**



**BEFORE YOU GRANT CREDIT TO A CUSTOMER, IT'S VITAL YOU KNOW EXACTLY WHO THEY ARE.**

IF YOU DO, YOU'LL BE ABLE TO CHECK WHETHER THEY'RE GOOD FOR THE AMOUNT OF MONEY TIED UP IN WHAT YOU SUPPLY AND, IF THE WORST OUTCOME UNFOLDS, YOU'LL BE ABLE TO START EFFECTIVE LEGAL ACTION.



# INTRODUCTION

The following Know Your Customer guide has been produced by Company Watch in association with Philip King.



In a career spanning over 40 years, Philip King has held senior credit management roles in the high-tech and communication sectors, and in distribution and retail (including spells at Olivetti and Vodafone).

More recently, he held the role of interim Small Business Commissioner between 2020-2021 and, prior to that, was Chief Executive of the Chartered Institute of Credit Management (CICM) for 14 years.

Philip is also the architect of the Prompt Payment Code which the CICM administered on behalf of the Department for Business, Energy and Industrial Strategy (BEIS).



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# 10 VITAL THINGS YOU SHOULD DO

- 1.** Find out the exact name and trading style of the business. The business may trade under a name that is different to the people or company that own it and will be due to pay your invoices. Your customer could be a limited company, a partnership, or a sole proprietor amongst other forms. Establish the names and addresses of the partners who own a partnership, or the proprietor if it's a sole trader.
- 2.** Ask to see documentation that verifies the answers to #1 above. Ideally, a bank statement heading or a certificate of incorporation for a limited company.
- 3.** For limited companies, check the details at Companies House: [www.gov.uk/get-information-about-a-company](http://www.gov.uk/get-information-about-a-company)
- 4.** Check that the details on the order you receive match the details provided at #1 and #2 above.
- 5.** Use a credit reference agency to check their details and credit status.
- 6.** Check that the information from the agency supports the amount of credit they're asking for and, if not, consider asking for partial payment up-front.
- 7.** Talk to other businesses that supply them to find out how well they pay.
- 8.** If they were previously a customer of one of your competitors, try to find out why they're now coming to you? Did they jump or were they pushed?
- 9.** Check whether the business is signed up to the Prompt Payment Code, the Good Business Charter, Good Business Pays, or one of the similar initiatives that at least demonstrates a commitment to pay suppliers on time.
- 10.** Have a clear, simple set of rules that everyone in the business knows, and follows. For example, "never release goods unless the account has been approved for at least the amount of the order."

# 10 THINGS TO WATCH OUT FOR

- 1.** A reluctance to provide the information you ask for. It might mean they have something to hide and, if you don't get it now, getting it later will be far more difficult.
- 2.** Conversely, having information forced on you. By seeming cooperative and providing you with information readily, they might be hoping you won't look too carefully at it and miss details that could be crucial.
- 3.** Being pushed to supply urgently and before you've compiled the information you need. Fraudsters rely on applying pressure to make you react quickly.
- 4.** Your employees being told that the information you're asking for is unnecessary; you might take all necessary steps but others might be too eager to satisfy the customer and provide good service.
- 5.** A large order out-of-the-blue. If it seems too good to be true, it probably is!
- 6.** References being provided who answer quickly and in glowing terms. They may have been cultivated by the potential customer or be connected with them. It's far better to talk to businesses you know to get an independent view.
- 7.** Being told there's a simple explanation why a credit reference agency is reporting adverse information, and that it should be ignored.
- 8.** Receiving an order for products that don't seem to fit the customer's profile. Many frauds involve obtaining products of any description to sell on quickly, and before you realise what's happened.
- 9.** Delivering goods for a business to a private address or to a warehousing address. Google Earth can be really useful to identify where you're shipping the goods to.
- 10.** Being misled - a simple ABC mantra to follow is "Accept nothing. Believe nobody. Challenge everything."